

# *News and Information*

*from the Tennessee Division of Consumer Affairs*

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## **TENNESSEE JOINS MULTI-STATE ADVANCE-FEE LOAN SETTLEMENT**

If someone calls or advertises, offering you credit "regardless of your credit history" for an upfront fee, it is illegal and chances are good you will never see that credit card or loan money.

Tennessee Attorney General John Knox Walkup and Tennessee Division of Consumer Affairs Director Mark Williams announced today that Tennessee has joined Illinois, Missouri and Virginia in a settlement agreement regarding a telemarketing program allegedly selling credit for an advance fee.

Telecommunications Resources, Inc. and Nashville-based First Security, Inc. have agreed to pay \$500,000 over the next year to be used for making refunds to consumers in all four states in addition to paying all costs associated with the investigation and attorneys' fees. Injunctions also apply to individuals named in the lawsuit, which include Donald Selmon, Linda Eakes, Stephen Bleser, and John Lewis, who are officers or directors of at least one of the companies involved with the alleged unlawful telemarketing program.

Today's settlement announcement is the result of a lawsuit filed in the U.S. District Court in Springfield, Ill. in 1996. The lawsuit was filed by the state attorneys general enforcing the Federal Trade Commission Telemarketing Sales Rules and state consumer protection laws. The suit targeted several related companies involved in an alleged illegal telemarketing program, "Credit Source," offering people, who are often without credit or with poor credit histories, the virtual "guarantee" of an unsecured credit card if the consumers meet a few conditions.

After an initial pitch, the victims were asked to call a 1-800 number to find out more information and get a pin number for verification. The victims were allegedly led to believe they would qualify for a credit card in part if they agreed to buy expensive telephone credit calling cards for three months, which would have been billed on their telephone bills at \$35 each month, and if they timely paid their telephone bills for those three months.

"Credit Source made consumers believe that to qualify for the credit card, they had to buy the telephone calling cards. Even if they wanted a calling card, these telephone calling cards are expensive," Walkup said. "They were charging \$35 for 60 minutes of long distance calls. It is significant that the overwhelming majority (85 percent) of the consumers never used the calling cards."

It appears that most calling cards average \$20 for 60 minutes.

The complaint notes that in 1996 alone, an estimated 134,000 people were enticed into calling the 1-800 number, including 122 Tennesseans. It is believed the alleged illegal telemarketing program had been operating since at least the fall of 1995.

Consumers identified in the "Credit Source" records will be contacted in the coming months by a claims administrator, who will coordinate the partial refund distribution after all the settlement is paid.

According to the complaint, Credit Source recorded anyone's telephone number as soon as they called the 1-800 number. Some consumers complained they were billed even if they hung up and did not indicate they wanted the telephone calling card.

After people complied by paying \$105 over three months for the companies' calling card, Credit Source in some cases referred them to an independent credit card issuer who sent the consumer a standard application, which involves additional fees.

"A real problem here is that the telemarketer who was promising credit to people was not authorized to issue credit cards," Walkup said. "You could have called that credit card company yourself to get a card without having to buy the telephone calling card."

The Tennessee Attorney General's Office and Tennessee Division of Consumer Affairs offer the following tips to avoid becoming a telemarketing scam victim.

1. If a telemarketer is promising you a loan or credit and asking you to buy something or for money in advance, hang up. It's illegal.
2. Legitimate lenders never "guarantee" or say that you are likely to get a loan or a credit card before you apply, especially if you've had no credit, bad credit, or a bankruptcy.
3. If you think you've been a victim of an advance-fee loan scam, contact the Tennessee Division of Consumer Affairs at (615)741-4737 and the National Fraud Information Center at 1-800-876-7060.